

Message Text

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ACTION COME-00

INFO OCT-01 NEA-10 IO-13 ADP-00 AGR-20 CEA-02 CIAE-00

DODE-00 EB-11 FRB-02 H-03 INR-10 INT-08 L-03 LAB-06

NSAE-00 NSC-10 PA-03 RSC-01 AID-20 CIEP-02 SS-15

STR-08 TAR-02 TRSE-00 USIA-15 PRS-01 OMB-01 RSR-01

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FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 6087

INFO USMISSION GENEVA

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E.O. 11652: N/A

TAGS: ETRD, GATT, IN

SUBJ: INDIAN TRADE POLICY; AUXILIARY DUTIES, ARTICLE 28
NEGOTIATIONS, EMBARGOES/GATT BOP CONSULTATIONS

REF: STATE 153499

BEGIN SUMMARY: EMBOFF DISCUSSED POINTS IN REFTEL WITH
S.K. BAGCHI. BAGCHI APPEARED TO ACCEPT ARTICLE XXV
CONSULTATIONS FOR AUXILIARY DUTIES. HE AGREED TO DISCUSS
COMPENSATION FOR INCREASES IN BOUND DUTIES THIS FALL AND
SAID THAT BALANCE-OF-PAYMENTS (BOP) CONSULTATIONS (ARTICLE
XVIII SECTION B) ARE SCHEDULED TO TAKE PLACE THIS FALL.
EMBOFF SAID THAT EROSION OF RESERVES FROM NEEDED IMPORT OF
LARGE QUANTITIES OF FOOD, COULD ENABLE INDIA TO MEET
CONDITIONS OF ARTICLE XII OR XVIII, BUT WE WOULD LIKE BOP
CONSULTATIONS TO GIVE AN INDICATION OF TIMING AND CONDITIONS
FOR STARTING TO RELAX IMPORT RESTRICTIONS. END SUMMARY

1. EMBOFFS DISCUSSED POINTS IN REFTEL WITH S.K. BAGCHI,
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JOINT SECRETARY MINISTRY OF COMMERCE. REGARDING AUXILIARY

DUTIES, BAGCHI APPEARED TO ACCEPT PROPOSED ARTICLE XXV SOLUTION, BUT ONLY AFTER SOMEWHAT PUZZLING DISCUSSION IN WHICH HE EXPRESSED OPINION THAT INDIA HAD ALREADY HAD RECOURSE TO ARTICLE XXV (ALONG WITH ARTICLE XXVIII) FOR ITS GAMUT OF RECENT TRADE MEASURES. ULTIMATELY, HOWEVER, HE APPEARED TO ACCEPT THAT AUXILIARY DUTIES HAD NOT SO FAR BEEN REGULARIZED UNDER GATT. HE SAID THAT 120-180 DAYS IS INSUFFICIENT TIME PERIOD FOR WAIVER. AUXILIARY DUTIES WILL NOT BE TAKEN OFF DURING THIS INDIAN FISCAL YEAR, AND IF INFLATION IS STILL RAMPANT AT TIME NEXT BUDGET IS PREPARED, THEY MAY BE RETAINED FOR ANOTHER YEAR. HE SUGGESTED A WAIVER FOR ONE YEAR, WITH POSSIBILITY OF RENEWAL. (THE EMBASSY CONSIDERS THIS A REASONABLE REQUEST.) IN ANY EVENT, AS BAGCHI POINTED OUT, THESE DUTIES ARE PURELY FOR REVENUE PURPOSES AND WILL HAVE NO EFFECT ON IMPORTS WHICH ARE GOVERNED BY LICENSES.

2. BAGCHI SAID INDIA IS PREPARED TO NEGOTIATE COMPENSATION FOR ITS INCREASES IN BOUND ITEMS THIS FALL AND WOULD HOPE TO COMPLETE PROCESS BY SPRING 1974. HE SAID THAT INDIA WILL HAVE A LIST OF COMPENSATORY DUTY REDUCTIONS BY THE TIME NEGOTIATIONS START AND, IN RESPONSE TO A QUESTION ABOUT WHAT CONCESSIONS MIGHT MEAN WITH IMPORTS CONTROLLED BY LICENSES, ADDED THEY WOULD BE STRUCTURED SO THAT SOME REAL TRADE EFFECTS WOULD BE ACHIEVED. FOR EXAMPLE, DUTIES MIGHT BE REDUCED ON ITEMS COVERED BY COMMONWEALTH PREFERENCES TO COUNTRIES OTHER THAN UK WHERE PREFERENCES ALREADY BEING DISMANTLED.

3. BAGCHI WELCOMED BALANCE-OF-PAYMENTS CONSULTATIONS, WHICH HE SAID ARE ALREADY ON THE GATT AGENDA FOR SOME TIME THIS FALL. HE SAID THAT INDIA WOULD CONTINUE TO RELY ON ARTICLE XVIII SECTION B, AS JUSTIFYING ITS IMPORT RESTRICTIONS.

EMBOFF SAID THAT OUR DESIRE FOR BOP CONSULTATIONS WAS IN NO SENSE AN ATTEMPT TO CREATE DIFFICULTIES FOR INDIA. IN FACT, USG WAS MAKING VIGOROUS EFFORTS TO IMPROVE RELATIONS AND TO IMPROVE THE CLIMATE FOR TRADE BETWEEN THE UNITED STATES AND INDIA. WE WANTED NOTHING TO COME IN THE WAY OF THESE EFFORTS. OUR POSITION WAS IN THE INTERESTS OF LIMITED OFFICIAL USE

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MAINTAINING GATT PROCEDURES AND DISCIPLINE, WHICH BAGCHI AGREED WERE ALSO IN THE INTERESTS OF INDIA. EMBOFF CONTINUED THAT WE HAVE NO DOUBT THAT IF FOREIGN EXCHANGE RESERVES ARE SEVERELY DEPLETED OVER THE NEXT SEVERAL MONTHS, INDIA WOULD HAVE LITTLE DIFFICULTY MEETING THE CONDITIONS OF EITHER ARTICLE XII OR ARTICLE XVIII. OUR PRINCIPAL OBJECT WOULD BE AN INDICATION FROM INDIA OF THE TIMING AND THE CONDITIONS UNDER WHICH INDIA WOULD BEGIN TO ROLL BACK

IMPORT CONTROLS. BAGCHI REPLIED THAT HE COULD ASSURE THE EMBOFF THAT INDIA WOULD NEVER RUN AFOUL OF THE GATT. IF CONDITIONS WERE SET UP GOVERNING INDIA'S BALANCE-OF-PAYMENTS RESTRICTIONS, INDIA WOULD ABIDE BY THEM.

4. EMBOFF INFORMED BAGCHI THAT US MISSION GENEVA WILL BE ASKING FOR COMPLETE LIST OF EMBARGOED ITEMS. BAGCHI SAID LIST IS VERY COMPLICATED BUT THAT ONE COULD BE FURNISHED.

5. COMMENT: WHILE BAGCHI WAS CUSTOMARILY FORTHCOMING AND UNDERSTANDING OF USG VIEWS, WE SHOULD NOT UNDERESTIMATE DIFFICULTY IN OBTAINING MEANINGFUL COMPENSATION. THE USG SHOULD BEGIN LINING UP SUPPORT FOR ITS INITIATIVES. EMBASSY SUGGESTS ITS EXPERTISE ON INDIAN ECONOMY WOULD BE DESIRABLE IN FORM OF AN OFFICER FROM THIS EMBASSY PARTICIPATING IN THE BOP CONSULTATIONS. MOYNIHAN

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